

**LAND RESIDUAL TECHNIQUE (“AS IS”)**

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**A. Cost of Production Analysis (continued)**

**4. Cost Data Source: (continued)**

All other hard and soft costs to develop the land from its “As Is” status will be taken into consideration in the cost of production. Additional costs, not included in the Valuation Service, such as entrepreneurial profit, are estimated and are being included as additional indirect costs.”

**5. Improvement Valuation**

The developer’s cost estimates will be utilized to develop the cost of production cost estimate as cross-referenced by “The Marshall Valuation Service.”

**II. Land Residual Technique (Fee Simple - continued)**

*Dozier Appraisal Company  
Palm Desert, California*

**LAND RESIDUAL TECHNIQUE (“AS IS”)****A. Cost of Production Analysis Calculations for 13 Residential Super Pads****Developer’s Cost of Production Analysis (To Completion but Prior to Sell Off)**

<b>Hard Cost</b>		<b>Subtotal</b>	<b>Total</b>
• <b>Off-Site Street Improvements</b>	<b>Included</b>		
• <b>On-Site</b> (cost to produce 13 super pads)	<b>\$8,100,000</b>		
<b>Subtotal On-Site Costs</b>	\$8,100,000		
<b>Total of Hard Costs</b>		<b>\$8,100,000</b>	
<b>Soft Costs (Including Entitlements)</b>	\$807,040		
<b>Total Soft Cost</b>	\$807,040	<b>\$8,907,040</b>	
<b>Total Hard &amp; Soft Costs</b>			<b>\$8,907,040</b>
Developer’s Incentive (10% of Hard and Soft Costs)		<b>\$890,704</b>	
<b>Total Development Costs</b>			<b>\$9,797,744</b>
Plus: Land Value (450 Gross Acres )*	\$11,664,000		
Plus: Developer’s Incentive (10% of Land Value)	\$1,166,400		
Market Value Indication Via Cost of Production for 13 Super Pads			\$22,628,144
<b>Rounded Bulk or Wholesale Value Indication for 13 Super Pads</b>			<b>\$22,628,000</b>

It is concluded that the Bulk or Wholesale market value indication by the cost approach of the subject property “as if complete” is as follows:

<b>TOTAL BULK OR WHOLESALE MARKET VALUE BY COST</b>	\$22,628,144
<b>TOTAL VALUE INDICATION FOR SUBJECT (rounded)</b>	<b>\$22,628,000</b>

The prospective cost of production as of 12/1/2014 is estimated at \$30,300,000. This value includes a mark up on the land value over the 5 year holding period.

**II. Land Residual Technique (Fee Simple - continued)**

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**LAND RESIDUAL TECHNIQUE (“AS IS”)**

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**B. Retail Value of Each Mixed Use Super Pad using the Sales Comparison Technique**

The “As If Complete” Market Value of the vacant land will be estimated by comparison of similar sales in the local market area. The Sales Comparison Approach is a method estimating market value, where the subject property is compared with similar type properties that have recently sold. It is based on the economic principle that a prudent purchaser will not pay more for a property than the price of an equally desirable subject property would bring in the open market at that approximate point in time. Essentially, the sales comparison approach is a systematic procedure for carrying out comparative shopping. The premise is that the market will determine the price for the property being appraised in the same manner it determines the price of comparable competitive properties. Founded on the principle of substitution, this approach depends on detailed analysis of recent sales, current listing, purchase options, and offers to purchase as indicators of market attitudes concerning the ability of similar properties to satisfy anticipated objectives. Preferably all comparable sales are in the same or similar areas.

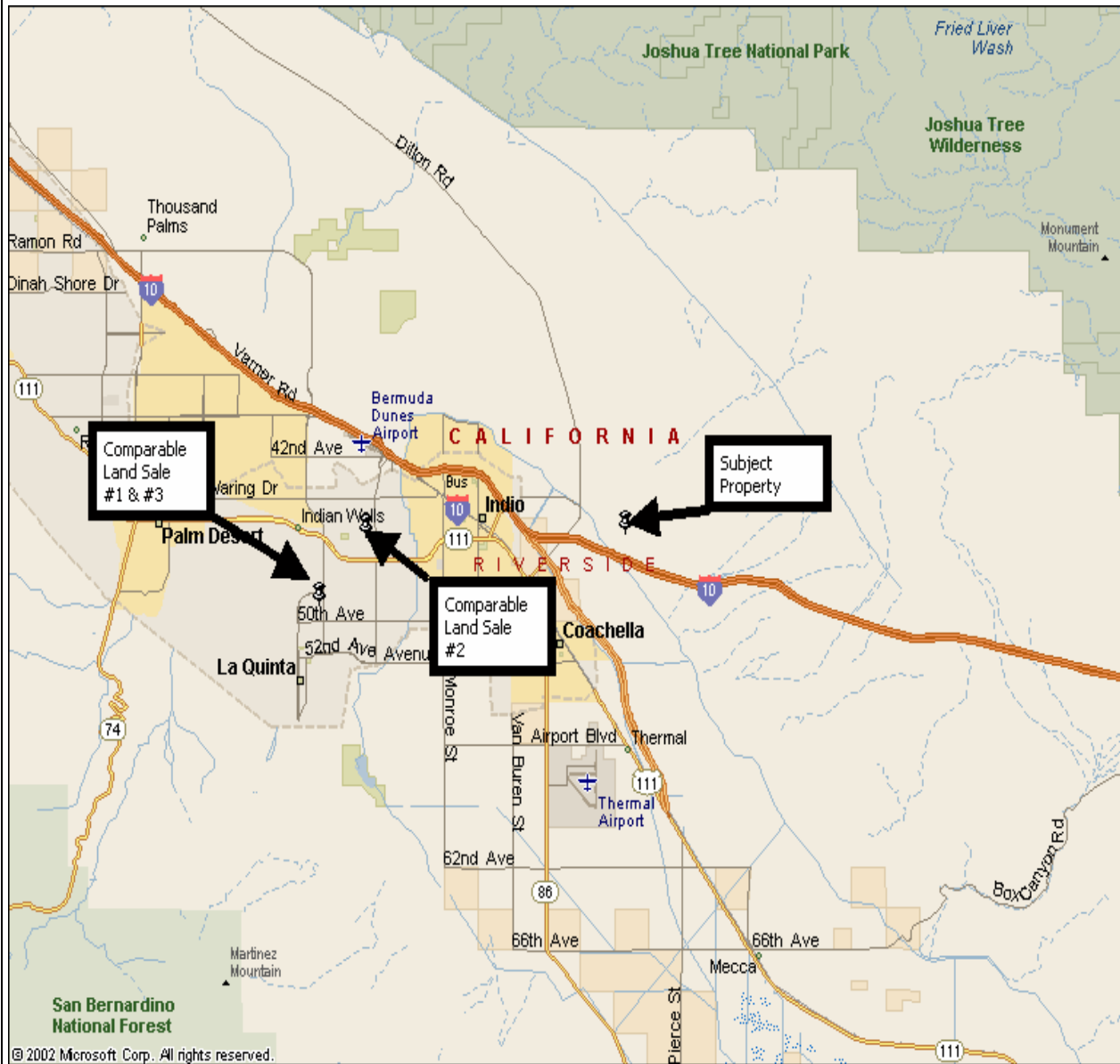
In using the Sales Comparison Approach, an attempt is made to simulate the price each comparable property would sell for on the date of the subject appraisal if it were identical to the subject property. Since no two properties are identical, this simulation normally requires sufficient market analysis to discern variances between the properties and the magnitude of adjustments to be made of dissimilarities. The subject and specific comparable properties are then compared with percentage adjustments made for differences. Adjustments are typically necessary for the passage of time, as well as, for differences in physical, functional, or locational characteristics. The outcome on value of these differences is discussed in the analysis portion of this approach.

To apply the Sales Comparison Approach, an appraiser follows a systematic procedure:

1. Research the market to obtain information on sales transactions, listing and offerings to purchase properties similar to the subject.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arms length market consideration.
3. Select relevant units of comparison (e.g., dollars per acre, per square foot, or per multiplier) and develop a comparative analysis for each unit.
4. Compare the subject property and comparable sale properties using the elements of comparison and adjust the sale price of each comparable appropriately or eliminate the property as a comparable.
5. Reconcile the various value indications produced from the analysis of comparables into a single value indication or a range of values. An imprecise market may indicate a range of values.

The units of comparison for sales of residential super pads are the price per lot and commercial super pads price per square foot. Interviews with various brokers and realtors during the search for comparable sales and listings confirmed the utilization of these factors.

### COMPARABLE HIGH DENSITY SUPERPAD SALES MAP



<b>HIGH DENSITY RESIDENTIAL SUPER PAD SALE COMPARISON #1</b>
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<b>Location:</b>	Washington & Avenue 50, La Quinta
<b>Identification:</b>	Assessor's Parcel Numbers: #770-040-012 Riverside County, California.
<b>Thomas Map Guide:</b>	Page 849 G6, Riverside County, California.
<b>Date of Sale:</b>	12/27/07
<b>Documentation:</b>	Instrument No. 0015472 Official Records, Riverside County, California.
<b>Buyer:</b>	UHC 00217 La Quinta, LP
<b>Seller:</b>	Washington & 50 <sup>th</sup> , LLC
<b>Sale Price:</b>	\$4,200,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$4,200,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Very Good
<b>Site Size:</b>	7.48 Acres/ 325,829 SF
<b>Access/Visibility:</b>	Good/Good
<b>Topography:</b>	Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Residential Medium/High Density 12/acre
<b>Price Per Acre:</b>	\$561,497/Acre (\$47,191/Paper Lot)

<b>HIGH DENSITY RESIDENTIAL SUPER PAD SALE COMPARISON #1 CONT'D.</b>
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**Present Use at Time  
of Sale:**

Vacant Residential Land

**Highest and Best Use:**

Immediate Development

**Verification:**

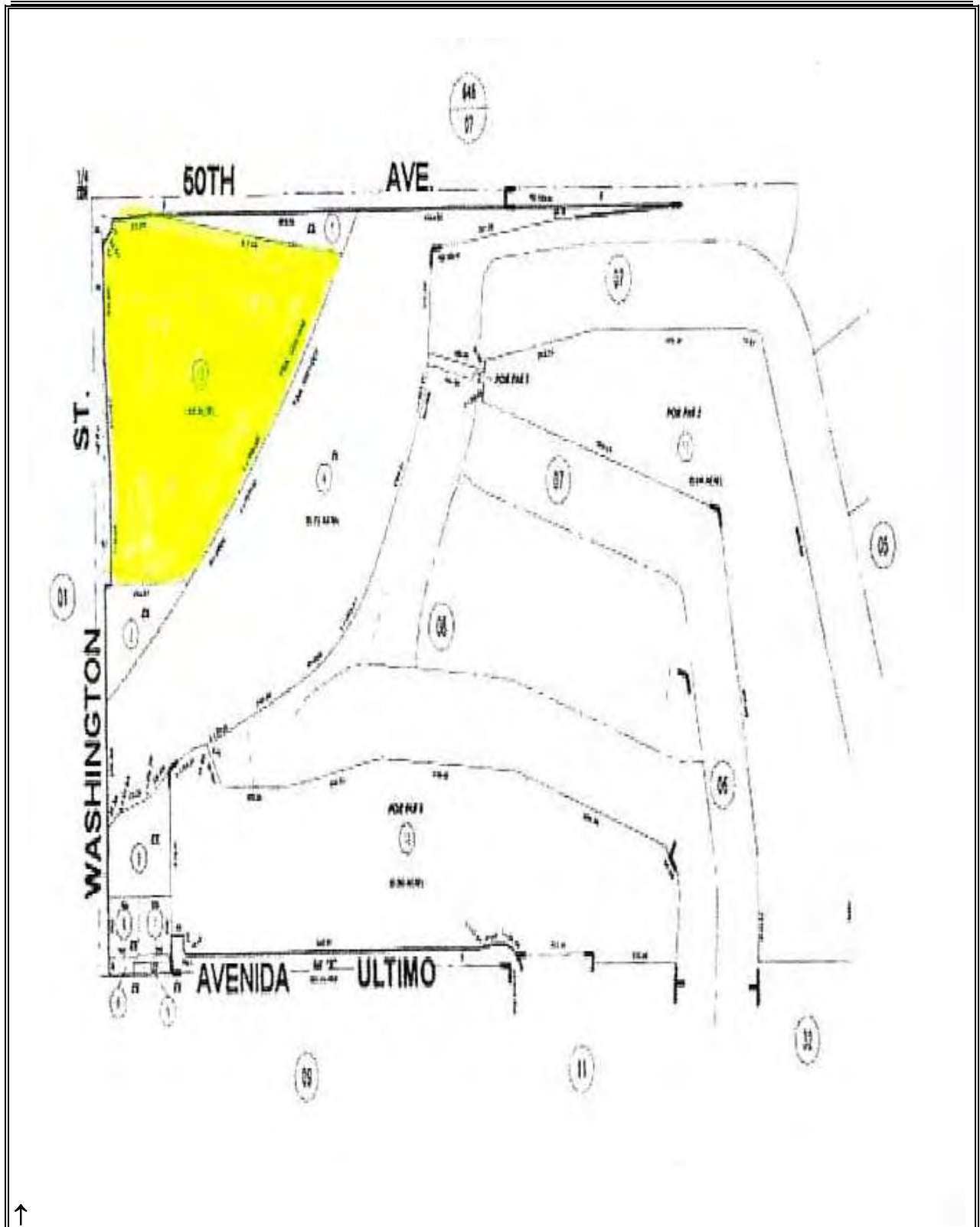
Metroscan; Co Star Comps; Seller

**Comments:**

This property is smaller in size than the subject  
Property and has similar density zoning.

LAND RESIDUAL TECHNIQUE ("AS IS")

HIGH DENSITY RESIDENTIAL SUPER PAD SALE #1 PARCEL MAP



<b>HIGH DENSITY RESIDENTIAL SUPER PAD SALE COMPARISON #2</b>
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<b>Location:</b>	Miles Avenue, La Quinta
<b>Identification:</b>	Assessor's Parcel Number 604-032-022, Riverside County,
<b>Thomas Map Guide:</b>	Page 5470 A/1, Riverside County, California
<b>Date of Sale:</b>	10/29/07
<b>Documentation:</b>	Grant deed recorded as Instrument No. (0669202) in Official Records, Riverside County, California
<b>Grantor:</b>	National Community Renaissance
<b>Grantee:</b>	Vista Dunes Housing Partners
<b>Sales Price:</b>	\$5,200,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash equivalent to Seller
<b>Cash Equivalency:</b>	\$5,200,000
<b>Conditions of Sale:</b>	Arms length transaction
<b>Market Conditions:</b>	Less Stable
<b>Site Size:</b>	411,206 SF or 9.44 Ac
<b>Approved Dwelling Units/Acre:</b>	8 du/ac
<b>Price Per Paper Door:</b>	\$65,000/ Paper Lot
<b>Topography:</b>	Near street grade.
<b>Utilities:</b>	To the site.
<b>Shape:</b>	Rectangular
<b>Specific Location:</b>	Average



<b>HIGH DENSITY RESIDENTIAL SUPER PAD SALE COMPARISON #2 CONT'D</b>
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<b>Building Improvements:</b>	None
<b>Zoning:</b>	RM – up to 8 du per acre
<b>Present Use at Time of Sale:</b>	Vacant Land
<b>Highest and Best Use:</b>	Immediate Development
<b>Verification:</b>	CoStar Group; Metroscan
<b>Comments:</b>	This property is slightly larger than the subject with lower density zoning.



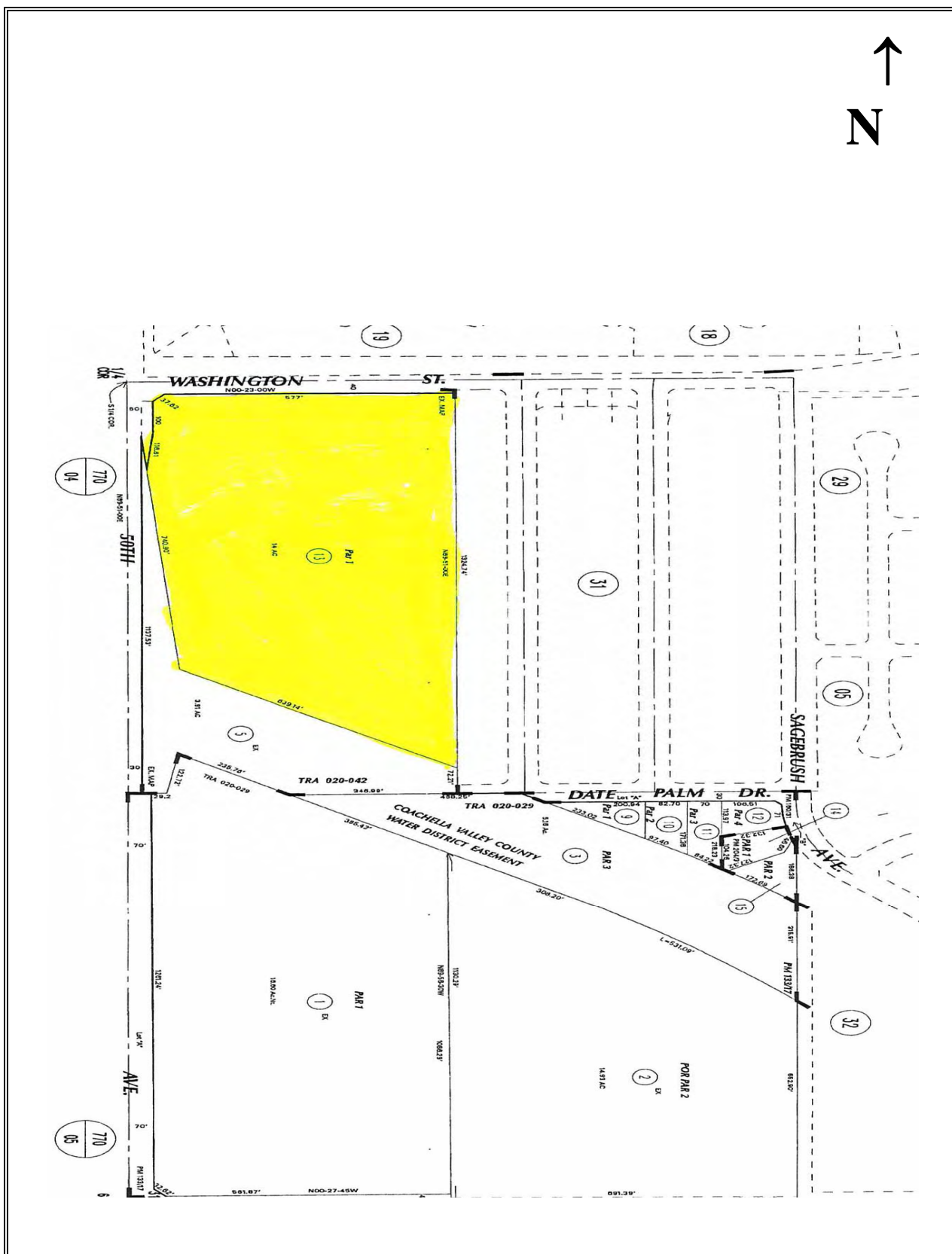
<b>HIGH DENSITY RESIDENTIAL SUPER PAD SALE COMPARISON #3</b>
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<b>Location:</b>	Washington & Avenue 50, La Quinta, CA
<b>Identification:</b>	Assessor's Parcel Numbers 646-070-013, Riverside County, California
<b>Thomas Map Guide:</b>	Page 849 G6, Riverside County, California
<b>Date of Sale:</b>	12/30/08
<b>Documentation:</b>	Grant deed recorded as Instrument No. (0676885) in Official Records, Riverside County, California
<b>Grantor:</b>	Westport La Quinta, LP
<b>Grantee:</b>	WSL La Quinta
<b>Sales Price:</b>	\$7,500,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash Equivalent to Seller
<b>Cash Equivalency:</b>	\$7,500,000
<b>Conditions of Sale:</b>	Arms length transaction
<b>Market Conditions:</b>	Less Stable
<b>Site Size Gross:</b>	14 Ac or 609,840 SF
<b>Entitlements:</b>	None
<b>Allowed Dwelling Units/Ac:</b>	12 du/Ac
<b>Unit Price Per Paper Lot:</b>	\$45,000 Paper Lot
<b>Topography:</b>	Level at street
<b>Utilities:</b>	To the site.
<b>Access:</b>	Good
<b>Shape:</b>	Rectangular

<b>HIGH DENSITY RESIDENTIAL SUPER PAD SALE COMPARISON #3 CONT'D</b>
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<b>Building Improvements:</b>	None
<b>Zoning:</b>	RMH, La Quinta up to 12 du/acre
<b>Present Use at Time of Sale:</b>	Vacant Land
<b>Highest and Best Use:</b>	Immediate Development
<b>Verification:</b>	Metroscan Inc., CoStar Comps, and Public Records of Riverside County.
<b>Comments:</b>	This property is larger in size when compared to the subject property with lower density zoning.

# HIGH DENSITY RESIDENTIAL SUPER PAD SALE #3 MAP



**LAND RESIDUAL TECHNIQUE ("AS IS")**

**TYPICAL HIGH DENSITY RESIDENTIAL SUPER PAD (7 ACRES)  
SALES COMPARISON GRID (FEE SIMPLE) PROSPECTIVE MARKET  
VALUE AS OF 12/14/2014**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	E. of Dillon Road, North Side of Interstate 10, Coachella	Washington & Avenue 50 La Quinta		Miles Avenue La Quinta		Washington St. & Avenue 50 La Quinta	
Date of Sale	12/1/2014	12/17/07		10/29/07		12/30/08	
Sale Price	\$2,787,246	\$4,200,000		\$5,200,000		\$7,500,000	
Size (Acres)	3.10	7.48Acres		9.44 Acres		14 Acres	
# of Paper Units	66	89		80		168	
Price per Acre	\$899,111	\$561,497		\$550,847		\$535,714	
Price per Paper Unit	\$42,231	\$47,191		\$65,000		\$44,643	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm’s Length	Arm’s Length		Arm’s Length		Arm’s Length	
Market Conditions	Stable	Stable	-0-	Stable	-0-	Less Stable	+10%
Adjusted Price Per Paper Unit	\$42,231	\$47,191		\$65,000		\$49,107	
PHYSICAL ADJUSTMENTS							
Size	3.10 Acres	7.48 Acres	+3,500	9.44 Acres	+3,500	14 Acres	+3,500
Location	Average	Superior	(7,079)	Superior	(9,250)	Superior	(7,366)
View	Good	Similar	-0-	Similar	-0-	Similar	-0-
Zoning/Density	R-H 25/Acre	12/Acre	(4,719)	8/Acre	(6,500)	12/Acre	(4,911)
Off – Sites	Yes	Similar	-0-	Superior	(13,215)	Similar	-0-
Amenities	Yes	Inferior	+2,360	Inferior	+3,250	Inferior	+2,455
Highest & Best Use	Immediate Development	Similar	-0-	Similar	-0-	Similar	-0-
ADJUSTMENTS							
Location	(15%)	40,112		55,750		41,741	
Amenities	+5%	42,472		59,000		44,196	
Density	(10%)	37,753		52,500		39,285	
Size	+3,500	41,253		56,000		42,785	
Off-Sites 2 & 3	(13,215)	41,253		42,785		42,785	
Net Adjustment		(7,438)		(22,215)		(6,322)	
Adjusted Unit Price	\$42,231	\$41,253		\$42,785		\$42,785	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$42,231	\$13,737		\$14,247		\$14,247	

## LAND RESIDUAL TECHNIQUE (“AS IS”)

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### II. Land Residual Technique (Fee Simple – continued)

#### B. Retail Value of Each Super Pad using the Sales Comparison Technique

##### 1. Comparable Town Home Super Pad Sales Analysis (continued)

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

#### **Property Rights, Financing Terms and Conditions of Sale:**

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

#### **Time and Market Conditions:**

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value.

### II. Land Residual Technique (Fee Simple – continued)

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**LAND RESIDUAL TECHNIQUE ("AS IS")**

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**B. Retail Value of Each Super Pad using the Sales Comparison Technique**

**1. Comparable High Density Residential Super Pad Sales Analysis (continued)**

**Time and Market Conditions:**

The subject's typical high density residential super pad is being appraised as of a prospective date of 12/1/2014 at which time the market is predicted to be stable. Comparable Sale #2 was sold during less stable market conditions. Therefore, an upward adjustment of 10% per paper unit was made to Comparable Sale #2.

**Density/Zoning:**

The subject property is zoned for high density residential development. All three Comparable Sales have lower density zoning. Therefore, a downward adjustment of 10% per paper unit was made to all three Comparable Sales.

**Location Adjustment:**

All three Comparable Sales have superior locations when compared to the subject property. Therefore, a downward adjustment of 15% per paper unit was made to all three Comparable Sales.

**Amenities Adjustment:**

All three Comparable Sales have inferior amenities. Therefore, an upward adjustment of 5% per paper unit was made to all three Comparable Sales.

**Size Adjustment:**

Residential Super Pads are usually priced higher for smaller parcels and lower for larger parcels. All three Comparable Sales are larger than the subject's typical super pad. Therefore, an upward adjustment of \$3,500 per paper unit was made to all three Comparable Sales.

**Off-Site Improvements:**

A matched pair was found between Comparable Sale#2 & #3. They are exactly alike except Comparable Sale #2 has superior off-site improvements. Therefore, a downward adjustment of \$13,215 per paper unit was made to Comparable Sale #2.

**II. Land Residual Technique (Fee Simple – continued)**



**LAND RESIDUAL TECHNIQUE ("AS IS")****B. Retail Value of Each Super Pad using the Sales Comparison Technique****1. Comparable High Density Residential Sales Analysis (continued)****Highest & Best Use:**

The subject property and all three Comparable Sales have similar highest and best uses. Therefore, no adjustments were made.

**View:**

The subject property and all three Comparable Sales have similar views. Therefore, no adjustments were made.

**Value Conclusion of a 3.10 Acre High Density Residential Super Pad:**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$41,253 to \$42,785 per paper unit and an adjusted price per paper unit of \$42,231 for the subject property.

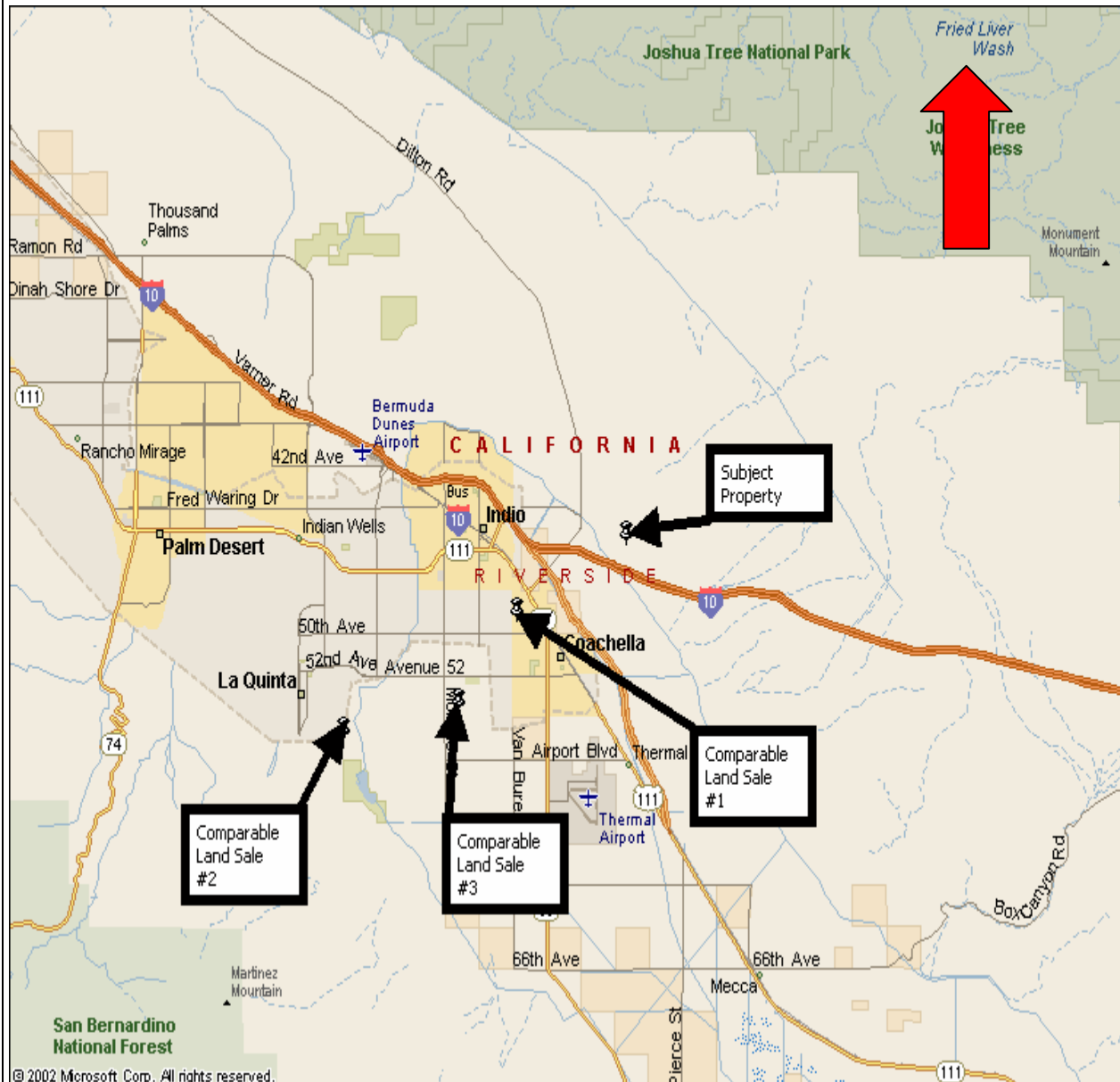
Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per unit value for the subject site. The market value indication of the site can therefore, be calculated as follows:

**AGGREGATE RETAIL TYPICAL HIGH DENSITY RESIDENTIAL SUPER PAD (Prospective  
Market Value as of 12/1/2014)**

<b>3.10 Acre (66 Paper Lot) High Density Residential Super Pad</b>	<b>X</b>	<b>\$42,231/Paper Lot</b>	<b>=</b>	<b>\$2,787,246</b>
<b>7.0 Acre (190 Paper Lot) High Density Residential Super Pad (Rounded)</b>			<b>=</b>	<b>\$2,787,000</b>

<b>COMPARABLE MEDIUM DENSITY RESIDENTIAL SUPER PAD SALES MAP (FEE SIMPLE)</b>
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**LAND RESIDUAL TECHNIQUE (“AS IS”)**



**RESIDENTIAL SUPER PAD SALE COMPARISON #1**

**LAND RESIDUAL TECHNIQUE ("AS IS")**

<b>Location:</b>	Van Buren Street, Coachella, CA 92236
<b>Identification:</b>	Assessor's Parcel Numbers: #603-220-029 & 033 Riverside County, California.
<b>Thomas Map Guide:</b>	Page 5470 J/6, Riverside County, California.
<b>Date of Sale:</b>	2/06/08
<b>Documentation:</b>	Instrument No. 0066101 Official Records, Riverside County, California.
<b>Buyer:</b>	City of Coachella
<b>Seller:</b>	Glenroy, Coachella
<b>Sale Price:</b>	\$5,500,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$5,500,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Less Stable
<b>Site Size:</b>	29.46 Acres (1,283,278 SF)
<b>Corner Access:</b>	Yes
<b>Topography:</b>	Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Residential Medium Density 0-6/Acre, City of Coachella
<b>Price Per Paper Lot/Acre:</b>	\$30,556/Paper Lot; \$186,693/Acre

**PART THREE – ANALYSIS AND CONCLUSIONS**

**RESIDENTIAL SUPER PAD SALE COMPARISON #1 CONT'D.**

**Present Use at Time  
of Sale:**

Vacant Residential Land

**Highest and Best Use:**

Immediate Development

**Verification:**

Metroscan; CoStar Comps; Riverside County Records

**Comments:**

This property is larger in size than the subject  
Property and has similar zoning. This property is located  
within the City of Coachella.

[illegible]

**PART THREE – ANALYSIS AND CONCLUSIONS****RESIDENTIAL SUPER PAD SALE COMPARISON #2**

<b>Location:</b>	Madison Street & Avenue 58, La Quinta
<b>Identification:</b>	Assessor's Parcel Number 764-200-049; 766-070-005 Riverside County, California.
<b>Thomas Map Guide:</b>	Page 5470 E/5, Riverside County, California.
<b>Date of Sale:</b>	12/27/06
<b>Documentation:</b>	Documentation Number #0952925 Riverside County, California.
<b>Buyer:</b>	Coral Mountain, LLC
<b>Seller:</b>	Sparks Construction
<b>Sale Price:</b>	\$6,200,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$6,200,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	39.09 Acres
<b>Corner Access:</b>	Yes
<b>Topography:</b>	Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the sight But not warranted.
<b>Zoning:</b>	Residential Low Density 0-4 Dwellings per acre
<b>Unit Price /Acre/ Paper Lot:</b>	\$158,608/ Acre (\$38,750/paper lot)

**RESIDENTIAL SUPER PAD SALE COMPARISON #2 CONT'D.**

**PART THREE – ANALYSIS AND CONCLUSIONS**

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**Present Use at Time  
of Sale:**

Vacant Residential Land

**Highest and Best Use:**

Immediate Development

**Verification:**

Metroscan; Co Star Comps

**Comments:**

This property is larger in size when compared to the subject property with lower density zoning.

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**PART THREE – ANALYSIS AND CONCLUSIONS****RESIDENTIAL SUPER PAD SALE COMPARISON #3**

<b>Location:</b>	53 <sup>rd</sup> Avenue, Vista Santa Rosa, CA
<b>Identification:</b>	Assessor's Parcel Number: 767-230-001 - 003 Riverside Co., California.
<b>Thomas Map Guide:</b>	Page 5530 Grid E/2, Riverside County, California.
<b>Date of Sale:</b>	4/7/06
<b>Documentation:</b>	Grant Deed recorded as Instrument 0250027 in Official Records, Riverside County, California.
<b>Buyer:</b>	Majestic Ranch
<b>Seller:</b>	Ernesto & Mary Chi
<b>Sale Price:</b>	\$10,000,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$10,000,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	97.65 Acres
<b>Access:</b>	Good
<b>Topography:</b>	Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the site
<b>Zoning:</b>	Residential Low Density 0-4 Dwellings/Acre
<b>Unit Price /Paper Lot/Acre:</b>	\$25,641/Paper Lot; \$102,406/Acre

**RESIDENTIAL SUPER PAD SALE COMPARISON #3 CONT'D.**

**PART THREE – ANALYSIS AND CONCLUSIONS**

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**Present Use at Time  
of Sale:**

Vacant Residential Land

**Highest and Best Use:**

Immediate Development.

**Verification:**

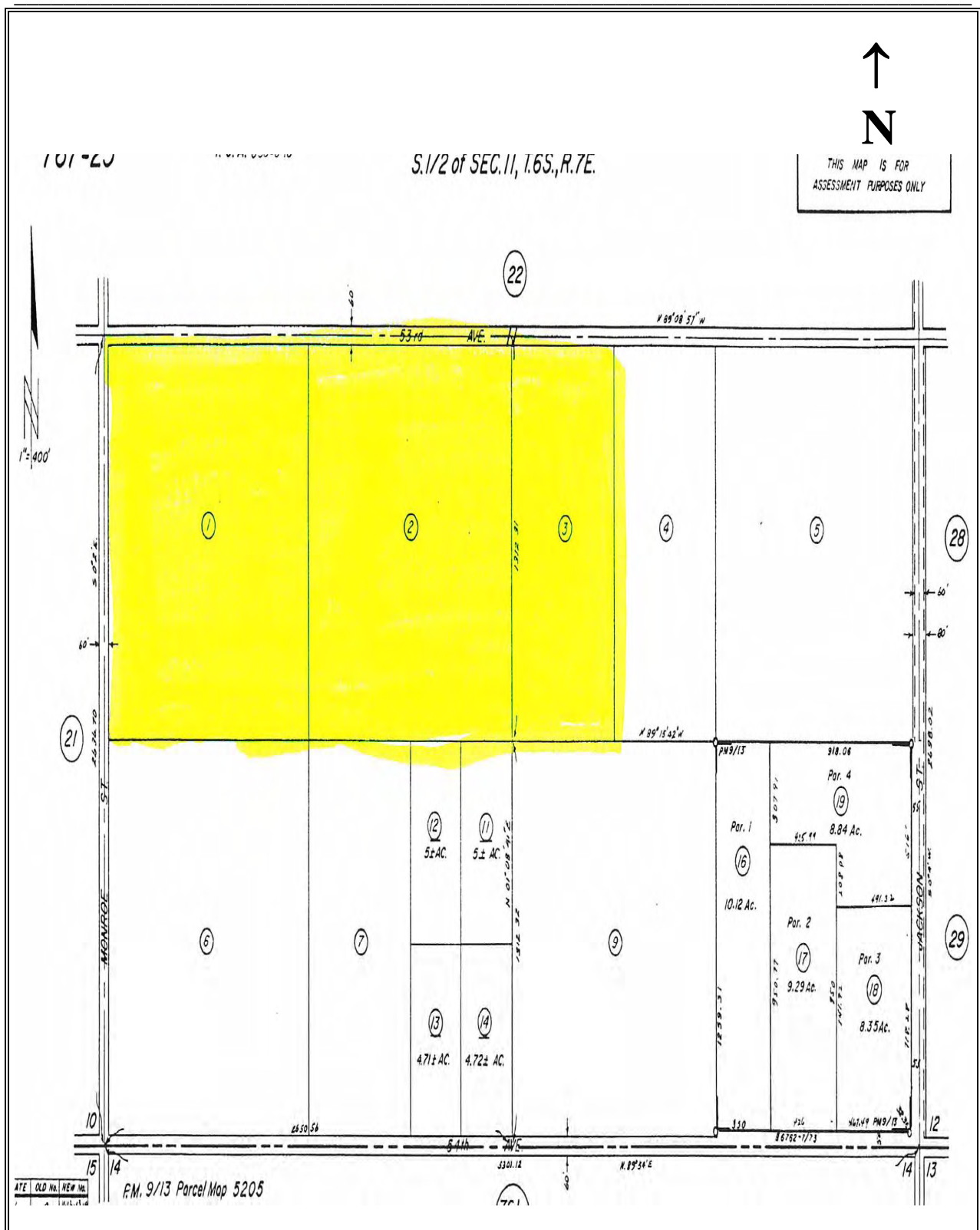
Metroscan; Co Star Comps;

**Comments:**

This property is larger in size with lower density zoning when compared to the subject property.

**COMPARABLE RESIDENTIAL SUPER PAD SALE #3 MAP**

PART THREE – ANALYSIS AND CONCLUSIONS



**PART THREE – ANALYSIS AND CONCLUSIONS**

**TYPICAL 9.7 ACRE MEDIUM DENSITY RESIDENTIAL SUPER PAD  
SALES COMPARISON GRID (FEE SIMPLE PROSPECTIVE MARKET  
VALUE AS OF 12/1/2014)**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	E. of Dillon Road, N. of I 10 Coachella	Van Buren Street Coachella		Madison & Avenue 58 La Quinta		Avenue 53 & Monroe Street Vista Santa Rosa	
Date of Sale	12/1/14	2/6/08		12/27/06		4/7/06	
Sale Price	\$2,807,000	\$5,500,000		\$6,200,000		\$10,000,000	
Size (Acres)	8.4 Acres	29.46 Acres		39.09 Acres		97.65 Acres	
# of Paper Lots	63	163		160		390	
Price per Acre	\$334,207	\$186,693		\$158,608		\$102,406	
Price Per Paper Lot	\$44,561	\$30,556		\$38,750		\$25,641	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm’s Length	Arm’s Length		Arm’s Length		Arm’s Length	
Market Conditions	Stable	Less Stable	+10%	Stable	-0-	Stable	-0-
Adjusted Price Per Paper Lot	\$44,561	\$33,612		\$38,750		\$25,641	
PHYSICAL ADJUSTMENTS							
Size	9.7 Acres	29.46 Acres	+3,361	39.09 Acres	+3,875	97.65 Acres	+5,128
Shape	Rectangular	Rectangular	-0-	Rectangular	-0-	Rectangular	-0-
Location	Average	Similar	-0-	Inferior	+3,875	Similar	-0-
Zoning/Density	Residential 7 Dwellings/Ac	6/Acre	-0-	4/Acre	(1,937)	4/Acre	(1,282)
Off-Sites/Utilities	Yes	Similar	-0-	Similar	-0-	Inferior	+15,731
Access	Good	Similar	-0-	Similar	-0-	Similar	-0-
Amenities	Good	Inferior	+1,680	Inferior	+1,937	Inferior	++1,282
Highest & Best Use	Immediate Development	Similar	-0-	Similar	-0-	Similar	-0-
ADJUSTMENTS							
Size	+10%;+20 %	36,973		42,625		30,769	
Location	+10%	36,973		46,500		30,769	
Density	(5%)	36,973		44,563		29,487	
Amenities	+5%	38,653		46,500		30,769	
Off-Sites 2 & 3	+15,731	38,653		46,500		46,500	
Net Adjustment		(9,563)		(7,750)		+20,859	
Adjusted Unit Price	\$44,561	\$38,653		\$46,500		\$46,500	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$44,561	\$12,871		\$15,845		\$15,845	

## PART THREE – ANALYSIS AND CONCLUSIONS

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### II. Land Residual Technique (Fee Simple – continued)

#### B. Retail Value of Each Super Pad using the Sales Comparison Technique

##### 2. Comparable Medium Density Residential Super Pad Sales Analysis (continued)

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

##### 1. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

##### 2. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value.

### II. Land Residual Technique (Fee Simple – continued)

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**PART THREE – ANALYSIS AND CONCLUSIONS**

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**B. Retail Value of Each Super Pad using the Sales Comparison Technique**

**2. Comparable Medium Density Residential Super Pad Sales Analysis (continued)**

**2. Time and Market Conditions:**

The subject property is being appraised as of a prospective date of 12/1/2014 at which time market conditions are expected to be stable. Comparable Sale #1 was sold during less stable market conditions. Therefore, an upward adjustment of 10% per paper unit was made to Comparable Sale #1.

**3. Size Adjustment:**

All three Comparable Land Sales are larger than the subject property. Therefore, upward adjustments were made to all three Comparable Sales according to size.

**4. Location:**

Comparable Sale #2 has an inferior location when compared to the subject property. Therefore, an upward adjustment of 10% per paper unit was made to Comparable Sale #2.

**5. Density Adjustment:**

Comparable Sale #2 & #3 have lower density zoning. Therefore, an upward adjustment of 5% per paper unit was made to Comparable Sale #2 & #3.

**6. Off-Site Improvements:**

A matched pair was found between Comparable Sale #2 & #3. They are exactly alike except Comparable Sale #3 has inferior off-site improvements. Therefore, an upward adjustment of \$15,731 per paper unit was made to Comparable Sale #3.

**7. Access Adjustment:**

The subject property and all three Comparable Land Sales have similar access. Therefore, no adjustments were made.

**8. Highest and Best Use Adjustment:**

The subject property and all three Comparable Land Sales have similar highest and best uses. Therefore, no adjustments were made.

**II. Land Residual Technique (Fee Simple – continued)**

**PART THREE – ANALYSIS AND CONCLUSIONS****B. Retail Value of Each Super Pad using the Sales Comparison Technique****2. Comparable Medium Density Residential Super Pad Sales Analysis (continued)****Value Conclusion for Typical 9.7 Acre residential super pad:**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of value of \$38,653 to \$46,500 per paper lot with an adjusted price per paper lot of \$44,561 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per paper lot value for the subject site. The market value indication of the site can therefore, be calculated as follows:

**AGGREGATE RETAIL TYPICAL MEDIUM DENSITY RESIDENTIAL SUPER PAD**  
**(Prospective Market Value as of 12/1/2014)**

<b>8.40 Acre (63 Paper Lots) Medium Density Residential Super Pad</b>	<b>X</b>	<b>\$44,561/Paper Lot</b>	<b>=</b>	<b>\$2,807,343</b>
<b>8.4 Acre (638 Paper Lots) Medium Density Residential Super Pad (Rounded)</b>			<b>=</b>	<b>\$2,807,000</b>

**3. Average Finished Lot Value Conclusion:**

The subject property's 5 Medium Density Residential Super Pads are not all the same, so premiums and deductions have been determined for certain characteristics of the individual Super Pads (i.e. size, location). In order to determine an average Super Pad value, premiums and deductions will be given to the typical super pad value. The total of the super pad values will then be divided by 5 to determine an average super pad value. This analysis is shown below:

<b>Lot Size</b>	<b># of Acres</b>	<b># of Paper Lots</b>	<b>Density/Acre</b>	<b>Typical Lot Value</b>	<b>Adjustment</b>	<b>Total Lot Value</b>	<b>Total Aggregate Retail Value</b>
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**PART THREE – ANALYSIS AND CONCLUSIONS**


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2 Pack 45X90	7.2	63	7	\$44,561	-\$1,500	\$43,061	\$2,712,843
2 Pack 45X90	9.3	74	7	\$44,561	\$3,000	\$47,561	\$3,519,514
40x90	8.4	63	7.5	\$44,561	\$0	\$44,561	\$2,807,343
50x100	9.8	51	5.45	\$44,561	\$3,000	\$47,561	\$2,425,611
50x100	11	60	5.45	\$44,561	\$3,000	\$47,561	\$2,853,660
Total	47.9	326	39.4				\$14,987,386
Average							\$2,997,477

**TYPICAL 9.0 ACRE RESIDENTIAL LOW DENSITY SUPER PAD SALES  
COMPARISON GRID (FEE SIMPLE PROSPECTIVE MARKET VALUE  
AS OF 12/1/2014)**

FACTOR	SUBJECT	NO. 1	NO. 2	NO. 3
Location	E. of Dillon	Van Buren Street	Madison & Avenue 58	Avenue 53 & Monroe



**PART THREE – ANALYSIS AND CONCLUSIONS**

	Road, N. of I 10 Coachella	Coachella		La Quinta		Street Vista Santa Rosa	
Date of Sale	12/1/14	2/6/08		12/27/06		4/7/06	
Sale Price	\$2,832,842	\$5,500,000		\$6,200,000		\$10,000,000	
Size (Acres)	13.4 Acres	29.46 Acres		39.09 Acres		97.65 Acres	
# of Paper Lots	62	163		160		390	
Price per Acre	\$211,406	\$186,693		\$158,608		\$102,406	
Price Per Paper Lot	\$45,691	\$30,556		\$38,750		\$25,641	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Market Conditions	Stable	Less Stable	+10%	Stable	-0-	Stable	-0-
Adjusted Price Per Paper Lot	\$45,691	\$33,612		\$38,750		\$25,641	
PHYSICAL ADJUSTMENTS							
Size	13.4 Acres	29.46 Acres	+3,361	39.09 Acres	+3,875	97.65 Acres	+5,128
Shape	Rectangular	Rectangular	-0-	Rectangular	-0-	Rectangular	-0-
Location	Average	Similar	-0-	Inferior	+3,875	Similar	-0-
Zoning/Density	Residential 4 Dwellings/Ac	6/Acre	+1,680	4/Acre	-0-	4/Acre	-0-
Off-Sites/Utilities	Yes	Similar	-0-	Similar	-0-	Inferior	+16,386
Access	Good	Similar	-0-	Similar	-0-	Similar	-0-
Amenities	Good	Inferior	+1,680	Inferior	+1,937	Inferior	+1,282
Highest & Best Use	Immediate Development	Similar	-0-	Similar	-0-	Similar	-0-
ADJUSTMENTS							
Size	+10%;+20 %	36,973		42,625		30,769	
Location	+10%	36,973		46,500		30,769	
Density	+5%	38,653		46,500		30,769	
Amenities	+5%	40,333		48,437		32,051	
Off-Sites 2 & 3	+16,386	40,333		48,437		48,437	
Net Adjustment		+6,721		+9,687		+22,796	
Adjusted Unit Price	\$45,691	\$40,333		\$48,437		\$48,437	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$45,691	\$13,431		\$16,130		\$16,130	

## PART THREE – ANALYSIS AND CONCLUSIONS

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### II. Land Residual Technique (Fee Simple – continued)

#### B. Retail Value of Each Super Pad using the Sales Comparison Technique

##### 2. Comparable Low Density Residential Super Pad Sales Analysis (continued)

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

##### 1. Property Rights, Financing Terms and Conditions of Sale:

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

##### 2. Time and Market Conditions:

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value.

### II. Land Residual Technique (Fee Simple – continued)

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

## PART THREE – ANALYSIS AND CONCLUSIONS

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### **B. Retail Value of Each Super Pad using the Sales Comparison Technique**

#### **2. Comparable Medium Density Residential Super Pad Sales Analysis (continued)**

##### **2. Time and Market Conditions:**

The subject property is being appraised as of a prospective date of 12/1/2014 at which time market conditions are expected to be stable. Comparable Sale #1 was sold during less stable market conditions. Therefore, an upward adjustment of 10% per paper unit was made to Comparable Sale #1.

##### **3. Size Adjustment:**

All three Comparable Land Sales are larger than the subject property. Therefore, upward adjustments were made to all three Comparable Sales according to size.

##### **4. Location:**

Comparable Sale #2 has an inferior location when compared to the subject property. Therefore, an upward adjustment of 10% per paper unit was made to Comparable Sale #2.

##### **5. Density Adjustment:**

Comparable Sale #1 has higher density zoning. Therefore, a downward adjustment of 5% per paper unit was made to Comparable Sale #1.

##### **6. Off-Site Improvements:**

A matched pair was found between Comparable Sale #2 & #3. They are exactly alike except Comparable Sale #3 has inferior off-site improvements. Therefore, an upward adjustment of \$16,386 per paper unit was made to Comparable Sale #3.

##### **7. Access Adjustment:**

The subject property and all three Comparable Land Sales have similar access. Therefore, no adjustments were made.

##### **8. Highest and Best Use Adjustment:**

The subject property and all three Comparable Land Sales have similar highest and best uses. Therefore, no adjustments were made.

### **II. Land Residual Technique (Fee Simple – continued)**

**PART THREE – ANALYSIS AND CONCLUSIONS****B. Retail Value of Each Super Pad using the Sales Comparison Technique****2. Comparable Low Density Residential Super Pad Sales Analysis (continued)****Value Conclusion for Typical 13.4 Acre residential super pad:**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of value of \$40,333 to \$48,437 per paper lot with an adjusted price per paper lot of \$45,691 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per paper lot value for the subject site. The market value indication of the site can therefore, be calculated as follows:

**AGGREGATE RETAIL TYPICAL LOW DENSITY RESIDENTIAL SUPER PAD (Prospective Market Value as of 12/1/2014)**

<b>13.4 Acre (62 Paper Lots) Low Density Residential Super Pad</b>	<b>X</b>	<b>\$45,691/Paper Lot</b>	<b>=</b>	<b>\$2,832,842</b>
<b>9.0 Acre (38 Paper Lots) Low Density Residential Super Pad (Rounded)</b>			<b>=</b>	<b>\$2,833,000</b>

**3. Average Finished Lot Value Conclusion:**

The subject property's 7 Low Density Residential Super Pads are not all the same, so premiums and deductions have been determined for certain characteristics of the individual Super Pads (i.e. size, location). In order to determine an average Super Pad value, premiums and deductions will be given to the typical super pad value. The total of the super pad values will then be divided by 7 to determine an average super pad value. This analysis is shown below:

Low Density Residential	# of Acres	# of Paper Lots	Density/Acre	Typical Lot Value	Adjustment	Total Lot Value	Total Aggregate Retail Value
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**PART THREE – ANALYSIS AND CONCLUSIONS**


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55x100	14	70	4.99	\$45,691	\$0	\$45,691	\$3,198,370
55x100	12	60	4.99	\$45,691	-\$1,500	\$44,191	\$2,651,460
60x100	13.5	62	4.6	\$45,691	\$0	\$45,691	\$2,832,842
60x100	13.4	62	4.6	\$45,691	\$0	\$45,691	\$2,832,842
65x100	13.5	58	4.27	\$45,691	\$0	\$45,691	\$2,650,078
65x100	17.3	74	4.27	\$45,691	\$5,000	\$50,691	\$3,751,134
70x100	16.6	66	3.98	\$45,691	\$5,000	\$50,691	\$3,345,606
Total	100.3	452	31.7		8500		\$21,262,332
Average							\$3,037,476

## **LAND RESIDUAL TECHNIQUE ("AS IS")**

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### **II. Land Residual Technique (Fee Simple - continued)**

#### **A. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value**

The required information and steps in this analysis are as follows;

2. Estimation of finished lot values previously estimated in the comparable sales analysis.
3. Estimation of absorption period.
4. Estimation of holding cost and marketing expenses.
5. Discounting of probable net revenues over the absorption period based on assumptions regarding appreciation/depreciation, holding costs, and discounting for cost of mortgage and equity capital.

#### **Estimation of Absorption Period**

The estimation of the proposed absorption period is one of the most important factors of the analysis and valuation of the subdivision. Differences in the forecast absorption period can cause significant changes in the conclusions of market value, and can affect the conclusion of (or lack of) economic feasibility.

The appraiser's estimate of an absorption period is typically formulated from a consideration of:

1. Historical absorption (demand) for similar properties (number of lots or percent of project per period).
2. Analysis of underlying demand and trends; i.e., are there likely to be as many (or more or less) buyers for this type of property in the future as there have been in the past?
3. Analysis of the present supply of competitive properties; i.e., how will they compete for the available market demand with the subject?
4. Analysis of the probable future demand. The appraisers must consider not only what has sold in the past and what is available as of the date of appraisal, but the probable supply of competitive offerings over the absorption period as well. Known supply (or assumed supply including the subject), as well as probable additions should be considered as potential competitive supply during absorption.
5. Comparison of probable future demand to probable future supply (including subject). It is important that market segmentation in the analysis be identified; i.e., the supply and demand levels for competitive super pads.

### **II. Land Residual Technique (Fee Simple - continued)**

## **LAND RESIDUAL TECHNIQUE ("AS IS")**

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### **C. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value**

The subject property consists of 13 proposed residential super pads.

There were cumulative, although fluctuating, decreases in residential construction through 1996 but some new construction of developments began in 1997. Many more developments started in 1998 and new home and condominium starts have increased each year until mid 2006. Wheeler's Desert Letter showed a 52% decrease in housing starts from August 2007 to the present time.

### **Estimation of Holding Costs**

#### **1. Property Taxes**

Real property taxes on the subject property are typically incurred by the ownership of a subdivision. Often, the taxes during the first year of absorption reflect its underdeveloped or partially developed status as of the last assessment year. For the purpose of estimating deductions from gross income for ad valorem taxes, it is recognized that taxes can change over the absorption period but since the taxes are a projected rate indicated and deducted at each sale accordingly.

The taxes are typically prorated between buyer and seller at closing, and that the owner of the subdivision incurs the expense only to the extent of the time the property has been owned. This amount is estimated at 1.10% of effective gross income for the purposes of this report.

#### **2. Insurance**

\$15,000 per year, is estimated for insurance.

#### **3. Closing Costs/Legal/Accounting**

To the extent that the owner of the lots with dwellings typically incurs expenses for deed preparation or other legal work (title work, recording fees, or other closing costs), these costs are recognized as deductions from periodic income from sales and in this case a rate of 1.0% is utilized for this aspect.

#### **4. Commissions**

The sale of developed lots with dwellings often depends upon the payment of sales commissions to outside brokers, inside or on-site sales representatives, or a combination of both. Few of these properties "sell themselves," although the extent to which a sales staff is necessary or outside broker fees paid may vary widely. Therefore, it is considered reasonable to project a 2% commission to a sales representative, whether paid as a salary or as part salary and part commission or straight commission.

#### **5. Marketing**

## LAND RESIDUAL TECHNIQUE (“AS IS”)

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Many subdivisions incur significant marketing expenses, others very little. Single-family residential subdivisions in areas with an excess of demand relative to supply may require very little if any marketing expense. Considering the nature of the local market and the specific nature of the subject project indicate that a significant amount of advertising is not required. Consequently, an estimate of approximately 1.0% of the gross income from sales is considered appropriate.

### 7. Overhead

“Overhead” is a generic term which can refer to a number of different expenses. Certainly a development which maintains an on-site office with a full-time secretary, telephone, and utilities has “overhead”. To the extent that such is considered reasonable and necessary by the typical owner, it is recognized by the appraisers as a deduction from the gross income from sales. Often, it is when the on-site staff serves multiple functions (i.e., secretary/sales agent). While the categorization of expenses may present difficulties, the most concern is with a recognition of the total expenses that is applicable to the development of the subject type.

It is typical in this market to lump any “overhead” that is not covered in sales commissions, legal, accounting and closing cost, into the entrepreneurial profit/developer fee category of the analysis form small residential developments but in this case it is considered to be within the allowances form marketing and legal/accounting/closing.

### 8. Profit/Developer’s Fee

Developer’s profit and overhead is either shown as a line item to deduct in the subdivision’s discounted cash flow or it is included in the discount rate used to discount net proceeds. During the early 2000’s developer profits were generally in the 10% to 15% range. Currently, due to market conditions, reasonable profits are expected to be approximately 10% which is a separate line item not to be included within the discount rate utilized.

### Subdivision Discount Rate

The appropriate discount rate for use in discounting the net income derived from the sale of lots and dwellings over time is the rate of return required in the market for suppliers of capital for investments of similar level of risk. Generally, discount rates are determined from one or more of the following sources:

1. Quoted Return Requirements from subdivision developers, land investors, and builders.
2. Allocation- An allocation should be made from the quoted profit requirements of area developers between developer profit (to completion) and entrepreneurial/equity yield after completion from sales efforts.
3. Comparison to Other Yields – Reported yield or return requirements of investors in other realty or new realty investments.

The appraiser must look at markets other than the real estate market and consider returns on alternate investments. The presumption is that in a capitalistic society, capital will flow to the highest return commensurate with risk, and that an increase in the return on the premier U.S. Treasury debt will ultimately require an increase in the return to all other investments.



**LAND RESIDUAL TECHNIQUE ("AS IS")****C. Discounted Cash Flow Analysis**

Discounted cash flow (DCF) analysis is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. The method is profit-or yield-oriented, simulating typical investor assumptions with formulas that calculate the present value of expected benefits assuming specified profit or yield requirements. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and complete recovery of the capital invested.

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained on the following page:

**Discounted Cash Flow and Land Residual Assumptions**

<b>Date of Appraisal:</b>		December 1, 2009
Holding Period: (From Super Pads)		2 Years from Completion to Sell Out
Holding period: (From Raw Land)		7 Years
13 Residential Super Pads		
Value per Super Pad	\$3,003,000	Average Residential Pad Value as of 12/1/14
Absorption Per Year	7	Residential Super Pads
Total Aggregate Retail	\$39,039,000	13 Residential Super Pads as of 12/1/14
Years to Absorb	2	From Completion to Sell Out
Present Value Factor (Property Discount Rate)		10% Land Residual; 15% Bulk
Total Aggregate Retail Value Estimate:		\$39,039,000 as of 12/1/14

**DISCOUNT RATES**

**LAND RESIDUAL TECHNIQUE (“AS IS”)****KORPACZ REAL ESTATE INVESTOR SURVEY® NATIONAL MARKET INDICATORS  
SECOND QUARTER 2009**

	Regional Mall		CBD Office		Warehouse		Apartment	
	2 <sup>nd</sup> Qtr 2009	1 <sup>st</sup> Qtr 2009	2 <sup>nd</sup> Qtr 2009	1 <sup>st</sup> Qtr 2009	2 <sup>nd</sup> Qtr 2009	1 <sup>st</sup> Qtr 2009	2 <sup>nd</sup> Qtr 2009	1 <sup>st</sup> Qtr 2009
Discount Rate (IRR) <sup>a</sup>								
Range (%)	7.00-15.00%	7.00-11.00%	7.25-12.00%	6.25-11.00%	6.50-12.50%	6.00-11.00%	7.50-14.00%	6.00-14.00%
Average (%)	10.09%	9.13%	9.03%	8.63%	9.02%	8.33%	9.73%	9.05%
Change (b.p.)		+96		+40		+69		+68
Overall Cap Rate (OAR) <sup>a</sup>								
Range (%)	5.00-11.00%	5.00-9.50%	4.50-10.50%	4.50-10.50%	5.50-10.00%	5.00-9.50%	5.50-9.50%	3.80-9.50%
Average (%)	7.79%	6.99%	7.94%	7.52%	7.93%	7.13%	7.49%	6.88%
Change		+80		+42		+80		+61
Residual Cap Rate								
Range (%)	6.25-12.00%	6.00-10.00%	6.50-10.00%	6.25-10.00%	6.00-11.00%	6.00-9.50%	5.75-9.50%	5.00-9.00%
Average (%)	8.63%	7.64%	8.31%	8.08%	8.25%	7.51%	7.87%	7.35%
Change		+99		+23		+74		+52

a. Rate on unleveraged, all-cash transactions

**DEFINITIONS:** b.p.: basis points. **Discount Rate (IRR):** Internal rate of return in all-cash transaction, based on annual year-end compounding. **Overall Cap Rate (OAR):** Initial rate of return in all-cash transaction. **Residual Cap Rate:** Overall capitalization rate used in calculation of residual price; typically applied to the NOI in the year following the forecast.

**SOURCE:** KORPACZ REAL ESTATE INVESTOR SURVEY. Personal survey of a cross section of major institutional equity real estate market participants conducted during April 2009 by PricewaterhouseCoopers LLP. For complete information on results of these and other markets covered in the Survey, contact PricewaterhouseCoopers LLP, PO Box 988, Florham Park, New Jersey 07932

**ABSORPTION STUDY**

There is very little if any demand for residential land or finished lots from merchant builders or developers. Only short to mid term land speculators will purchase residential super pads and finished lots in this market. Absorption of individual residential super pads will be based on the super pads being ready for immediate vertical development. Consequently, there will be little to no super pads absorbed in the next 3 to 5 years.

Based on the current supply of new homes (built between 2004 and 2008) in the subject's market plus the future expected supply from foreclosures and short sales, the market in this area is not expected to stabilize (6 month supply) for another 18 to 24 months based on current and expected absorption. Consequently, the 7 residential super pad absorption estimate and the 1 commercial super pad absorption per year estimate makes the assumption that supply and demand are in balance when this product comes on the market in 2014.

**II. Land Residual Technique (Fee Simple - continued)**

**LAND RESIDUAL TECHNIQUE (“AS IS”)**

---

**C. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value of 13 Mixed Use Super Pads as of 12/1/2009:**

**II. Land Residual Technique (Fee Simple - continued)**

*Dozier Appraisal Company  
Palm Desert, California*

**LAND RESIDUAL TECHNIQUE (“AS IS”)**

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- D. Land Residual Discounted Cash Flow Analysis solving for the Fee Simple Market Value of 450 Acres:**

**II. Land Residual Technique (Fee Simple - continued)**

*Dozier Appraisal Company  
Palm Desert, California*

**LAND RESIDUAL TECHNIQUE (“AS IS”)**

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- D. Discounted Cash Flow Analysis solving for the “As if Complete” Bulk or Wholesale Market Value of 139 Super Pads as of the prospective date 12/1/2014:**

**RECONCILIATION AND FINAL ESTIMATE OF VALUE**

---

**III. RECONCILIATION AND FINAL ESTIMATE OF VALUE (Fee Simple)**

- **Sales Comparison Approach (Fee Simple)** **\$ 11,664,000**
- **Income Approach (DCF) (Fee Simple)** **\$ 11,109,000**

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. Because the real estate market is imperfect, complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the subject property's "As Is" MARKET VALUE of the subject's 450 acres of vacant land, if it were sold to a single buyer.

In the Sales Comparison Approach to value, the use of the Comparable sales for the valuation of vacant land is considered to provide a solid indication of value provided that recent sales can be found with which to compare the subject. A thorough search was conducted in the local Multiple Listings Service, First American Title Win2Data, and COSTAR COMPS for any evidence of vacant residential market value during the past 18 months. Most of the weight was given to the Land Residual Technique.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the Fee Simple interest in the subject property has an "As Is" MARKET VALUE, as of the effective date December 1, 2009, measured in the amount as follows:

**\$11,200,000<sup>1</sup> (\$24,889/Acre)\***

**(ELEVEN MILLION TWO HUNDRED THOUSAND DOLLARS)**

Reasonable exposure time necessary to sell this property to a single purchaser  
prior to the date of this appraisal is estimated 10 to 12 months.

<sup>1</sup> Later in this report the reader will note the appraiser estimated a marketing time to sell this property after the date of this appraisal at 11 to 12 months. Consequently, due to current negative economic conditions, if the property must be sold prior to this 11 to 12 month exposure period after the date of this appraisal, the sales price would be considered a liquidation value which could be significantly less than the appraised market value.

\*Based on hypothetical conditions, extraordinary assumptions, and/or major highest and best use conclusions found in the letter of transmittal. If any of these hypothetical conditions, extraordinary assumptions, and/or major highest and best use conclusions prove to be false, the estimated "As Is" market value of the subject property could be highly impacted.

**ADDENDA**

## CURRICULUM VITAE OF THE APPRAISER

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### **RAYMOND L. DOZIER, MAI**

DOZIER APPRAISAL COMPANY  
Resort and Urban Property Appraisers  
73-350 El Paseo, Suite 206  
Palm Desert, California 92260  
Telephone (760) 776-4200  
Fax (760) 776-4977  
E-Mail Dozierappraisal@dc.rr.com

**Education:** University of Kentucky, B.A., 1974  
Business Administration and Economics

Law Student, JD Candidate,  
Saratoga University

**Professional:** MAI Member, Appraisal Institute  
Committee Member, Experience Review for MAI Designation  
Member, International Council of Shopping Centers (ICSC)  
Member, National Association of Realtors  
Member, California Association of Realtors  
Member, Certified Divorce Planners

**Expert**  
**Witness:** Superior Court of California  
U.S. District Court  
Federal Bankruptcy Court

**Licenses:** State of California Certified General Real Estate Appraiser #AG004590  
State of California Real Estate Broker #01173680

**Experience:** Commercial Appraiser - Associate with 1972-1980  
R.W. Karlee, MAI  
Dozier Appraisal Company, Resort & Urban 1980 -  
Property Appraiser - Owner

**Faculty:** Guest Instructor: University of Kentucky; Courses Taught Corporate Finance and  
The Time Value of Money.

**Continuing**  
**Education:** Subdivision Analysis; Litigation Valuation; Discounted Cash Flow; Economy and Local  
Trends; Architecture and Construction; FIRREA Law; Current Issues in Appraising;  
Summary and Restricted Reports; Special Purpose Property Appraisals – Going-  
Concern & Business Value; Subdivision Analysis; Fast Food Restaurant Valuation;  
“Benefits” in Eminent Domain Property Valuations; Attacking & Defending an Appraisal in  
Litigation; Master Planned Communities Skilled Nursing Facilities; Valuation of  
Detrimental Conditions; Real Estate Fraud and Appraiser’s Role.



Page 2 - Curriculum Vitae of the Appraiser

**Partial List of Clients:**

**Legal and Accounting Firms:**

Pillsbury, Madison & Sutro - L.A.  
Rutan & Tucker - Costa Mesa, CA  
Scott J. Zundel

Schlecht, Shevlin & Shoenberger  
Murphy, Pearson, Bradley & Feeney - San Francisco  
Best, Best & Krieger

**Lending Institutions:**

El Dorado Bank  
American Commerce Bank  
Home Savings of America  
First Security Mortgage  
Salt Lake City, Utah  
Wells Fargo Bank  
Palm Springs Savings Bank  
First Community Bank  
Palm Desert National Bank  
Bank of the Desert  
Bank of California  
Transco Mortgage Company  
Bank of Los Angeles

Union Bank  
Valley National Bank of Arizona  
Manufacture's Bank  
PFF Bank & Trust  
(Formerly Pomona First Federal)  
First Security Bank  
Farmer's Merchant Bank - Long Beach  
Riverside National Bank  
San Diego National Bank  
Mitsubishi Bank, LTD  
Midland Financial - Clearwater, FL  
First Interstate Bank  
Mitsubishi Bank, LTD

**Government Agencies:**

Bureau of Indian Affairs  
Bureau of Land Management ( BLM )  
Palm Springs California Edison  
Southern California Edison  
Southern California Gas  
City of Rancho Mirage  
City of Coachella  
City of Indio  
City of Palm Springs  
County of Riverside  
U.S. Department of Agricultural  
City of La Quinta  
Riverside County Housing

City of Cathedral City  
RTC - Contract  
City of Palm Desert  
City of Moreno Valley  
FDIC  
Department of Indian Affairs  
Sacramento, CA  
City Indian wells  
Farmer Home Administration  
State of California Department of Ins.  
SBA Regional Office  
Federal Aviation Administration (FAA)  
Riverside County Flood Control

**Schools:**

Desert Sands Unified School District  
Morongo Unified School District  
Palm Springs Unified School District

**Utilities:**

Coachella Valley Water District  
Morongo Water District  
Cal - Trans  
Desert Water Agency

**Hospitals:**

Eisenhower Medical Center  
JFK Memorial Hospital  
Riverside General Hospital  
Desert Hospital

**Corporations:**

Bechtel Corporation  
Motion Picture & TV Fund

Page 3 - Curriculum Vitae of the Appraiser

**Non-Profit Organizations:**

Berger Foundation  
Joseph Drown Foundation

**Insurance Companies:**

Republic Western, Scottsdale, AZ

**Real Estate Development & Engineering:**

Wessman Construction Company	Strother Construction Company
American Properties Funding	Regency Homes - Peter Soloman
Del Webb California Corporation	Orr Construction
Lowe Development	Aqua Caliente Band of Cahuilla Indians
Ocean Properties - San Diego	Ruby Broadcasting Company
Oliphant & Lizza, Development Group	

**Appraisal Functions Include:**

Acquisitions, Bankruptcy, Bond Financing, Condemnation, Construction Defect, Disposition and Liquidation Decision Making, Abundance of Caution for Federally Related Transaction, Donation, Estate Tax Appeal, Exchange, Excess Land, Determination of Economic Feasibility and Market Absorption, Foreclosures, Litigation, Real Property Tax Appeal, Negotiation, Partnership Dissolution, Portfolio Review for Non-Profits, Redevelopment, Lending for Real Property and Going Concern, Group Rental for Long Term Leases, Determining Highest and Best Use of Undeveloped Acreage, Claims of Damage to Real Estate Caused by Other Party, USPAP Compliance Appraisal Review.

**Typical Appraisal Assignments:**

**Public:**

Airport Expansions, Assessment Districts, Electrical & Access R/W's, Flood Control Projects, Park Sites, Subterranean Pipeline Easements, Golf Courses, Proposed Prison Sites, Public Right -of - Way Dedications, Railroad R/W's, School Sites, Temporary Easements, Urban and Rural Mountainous Land, Indian and Leaseholds and Lease Fees, Mountainous Communication Tower Sites, IRS seizures on Questionable Properties, Desert Lands, Accretion Interests Caused By Changing River Courses, and RTC Deposition for Auctions.

**Private:**

Drug Rehab Centers, Cold Storage Facilities, Mobile Home Parks, Day Care Centers, Mini-Storage, Newspaper Buildings, Proposed Service Station, Car-washes, Apartment Complexes, Medical Office Buildings, Neighborhood & Community Shopping Centers, Residential and Commercial Subdivisions, Restaurant Going - Concern, Undeveloped Acreage, Highest and Best Used Studies, Highway Patrol Facilities, Churches, Special Purpose Properties, Trucking, Distribution Facilities, Golf Course Properties, Proposed Time-Share Developments, Aggregate Retail and Bulk or Wholesale Values of proposed Subdivision Developments, Retrospective Real Property Valuations, Motels, Parking Lots, Gypsum Mine Acres, Clothing Optional Resorts, R & D Industrial Facilities, Historical Buildings, Agricultural Going - Concern, Riverfront Properties, Ranch's and Equestrian Centers, Thoroughbred Racehorse Farms, Sports Clubs, Multi -Screen Movie Theaters, High-rise Office Buildings, Planned Unit Developments (PUD's), to Estimate Liquidation Value for Forced Sale or Auction Proceedings, Recreation Properties, Campgrounds, and Cemeteries.

Page 4 - Curriculum Vitae of the Appraiser

**Interest and Value Types Appraised:**

Fee Simple Estate

Leased Fee Estate

Lease Hold Estate

Sandwich Leasehold Estate

Life Estates

Vertical Estates (Subsurface & Air Rights)

Easements

Partnership Interests

- Joint Tenancy Value
- Tenancy by the Entirety Value
- Tenancy in Common Value

Market Rental Value

Specialized Fractional Ownership

- Condominium Interest
- Cooperative Interest
- Timeshare Interest

Legal Entities Affecting Ownership

- Stock Corporation Market Value
- Land Trust Beneficiary's Partial Interest
- Fixed Assets
  - Tangible Assets Value
  - Intangible Assets Value
  - Financial Assets Value
- General and Limited Partnership Interests
- Equity Syndications
- Closely Held Business
  - Going Concern Value (Real Property & Business Value)
  - Business Value only
- Liquidation Value vs Continued Operation of Business
- Use Value (as opposed to Value in Exchange)

Investment Value (individual's Investment Return Objectives)

Highest and Best Use Analysis Impacting Value

- Economic Feasibility Studies

Eminent Domain (State and Federal Rule)

- Just Compensation Estimates for Public Takings of Private Property Interests
- Determination of the "Larger Parcel"
- Other Legal Matters
  - Valuation of Detrimental Conditions, Construction Defects, etc.
  - Diminution of Value ( Before and After )

## **DOZIER APPRAISAL COMPANY**

**Resort and Urban Property Appraisers  
Valuation and Financial Consultants**

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73-350 EL PASEO, SUITE 206  
PALM DESERT, CALIFORNIA 92260

RAYMOND L. DOZIER, MAI  
CERTIFIED GENERAL APPRAISER  
LICENSE # AG004590  
STATE TAX ID # 61-1063795

TEL. (760) 776-4200  
FAX (760) 776-4977  
E-MAIL Dozierappraisal@dc.rr.com

### **COMPANY PROFILE**

Dozier Appraisal Company is a real property and financial consulting firm specializing in litigation consulting and real property/business valuation services. Founded in 1980 as a real property /business valuation firm, Dozier Appraisal Company consists of a team of dedicated professionals with experience in financial and economic analysis, real property valuation, business valuation, condemnation, damage analysis and related disciplines.

### **REAL PROPERTY AND BUSINESS VALUATIONS SERVICES**

Dozier Appraisal Company has extensive expertise in valuation of all types of complex real property interests and of close-held businesses. The firm provides assistance in valuation matters for:

#### Real Property

- Estates; Private Lending
- Commercial Lending
- Eminent Domain Proceedings
- Highest and Best Use Analysis
- Partial Interest Valuation
- Economic Feasibility
- Market Rental and Absorption

#### Businesses

- Marital Dissolution
- Community Property Settlement
- Partnership or Corporate Dissolution
- Estate, Gift and Other Tax Matters
- Stock Contributions to Charitable Organizations
- General Business Litigation

The firm has completed more than two thousand valuation assignments covering wide spectrum of industries including:

- |                      |                         |
|----------------------|-------------------------|
| • Resorts            | • Hospitality           |
| • Agriculture        | • Manufacturing         |
| • Contracting        | • Professional Practice |
| • Distribution       | • Retail                |
| • Financial Services | • Sports & Leisure      |
| • Public Agencies    | • Services              |

## Page 2 – Company Profile

In addition, Dozier Appraisal Company has expertise in valuing intangible business assets, including:

- Going Concern Value
- Goodwill
- Existing Contracts
- Brand Names & Registered Trademarks
- Affiliation Agreements
- Franchises
- Firm Rights
- Copyrights
- Leasehold Interests
- Licenses
- Patents
- Employment Contracts
- Mailing Lists
- Water Rights
- Tax Credits for Past Losses

The Philosophy of Dozier Appraisal Company is to provide thoroughly, objective valuation analysis of real property interest and closely-held companies. The firm accepts many of its valuation assignments by stipulation of the parties to a legal proceeding in which the value of real property or business interests are at issue. Appraisals prepared by Dozier Appraisal Company have been successfully defended in the courts many times.

### **Community Property Matters**

The valuation of a going business or professional practice in a community property division is a complicated process requiring a broad-based knowledge of the laws pertaining to community property business valuations. Although Dozier Appraisal Company does not render legal services, the firm has significant expertise in community property assignments, including the valuation of non-salable professional goodwill and calculations relating to the allocation of business appreciation between community and separate property (Pereira and Van Camp analysis).

### **Eminent Domain Matters**

Dozier Appraisal Company has extensive experience in just Compensation estimates for public takings of private property interests. One of the most critical factors in determining the taking's "before" and "after" market value is the estimation of "what is the Larger Parcel"? Damages to the remainder due to a partial taking can be significant. Consequently, it is critical that the "Larger Parcel" be accurately determined. Dozier Appraisal Company can be instrumental in providing legal counsel consultation in review of opposition's appraisal; suggested line of questioning in valuation matters regarding depositions and trials; and a fair and though explanation of all influences that impact market value.

Page 3 – Company Profile

## **LITIGATION CONSULTING SERVICES**

Dozier Appraisal Company provides a full spectrum of litigation support services to the legal community. The firm's area of expertise includes evaluation of economic damage resulting from business torts, breach of contract, personal injury, wrongful termination and other causes of action. Litigation support services range from document review and preliminary damage calculations to complete financial analysis and research culminating in a formal, written report or expert testimony.

### **Financial and Economic Analysis**

Dozier Appraisal Company provides financial and economic analysis to estimate damages in civil litigation matters. The professional staff of Dozier Appraisal Company has expertise in damage analysis and computing lost profits for many types of cases, including:

- Antitrust
- Breach of Contract
- Business Interruption
- Business Torts
- Copyright Infringement
- Fraud and Embezzlement
- Lender Liability
- Patent Infringement
- Personal Injury
- Professional Liability
- Wrongful Death
- Wrongful Termination

### **Forensic Appraising Services**

The firm performs investigative services in the areas of:

- Tracing separate and community funds
- Searching for unrecorded income
- Analyzing expenses and expenditures
- Reconstruction of incomplete or inaccessible records

### **Other Consulting Services**

In addition to our other services, Dozier Appraisal Company can facilitate discovery, settlement negotiation and trial preparation by:

- Providing economic research
- Reviewing financial documents and selecting key items to be analyzed
- Conducting quantitative analysis for settlement negotiations

Page 4 – Company Profile

**Other Consulting Services (Cont'd)**

- Locating outside information sources
- Preparing questions for and interpreting responses of other financial witnesses
- Assisting in cross examination preparation
- Critiquing opinion and providing rebuttal testimony

**Expert Testimony**

The senior associates at Dozier Appraisal Company have significant litigation experience. The firm's philosophy is to present credible, defensible solutions to financial and economic issues in concise reports or through expert testimony, if required. The use of courtroom quality graphics helps to illustrate our findings in a readily understandable format.

### **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report has been made with the following general and specific assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management is assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in the report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or in arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based.
10. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication.
12. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.



Page 2

Assumptions and Limiting Conditions

13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm, with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
14. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimated, unless such proration or divisions of interests have been set forth in the report.
15. No legal description or survey was furnished so the appraiser utilized the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove these characteristics inaccurate, it may be necessary for this appraisal to be adjusted.
16. The forecasts, projections, or operation estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factor, and a continued state economy. These forecasts are, therefore, subject to changes in future conditions.
17. The term "Market Value", as used in this report, as agreed upon by federal financial institutions in the United States of America is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Page 3

Assumptions and Limiting Conditions

18. The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The appraiser is not obligated to predict future political, economic or social trends.
19. In preparing this report, the appraiser was required to rely on information furnished by other individuals or found in previously existing records and /or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed implied, is given by the appraiser for the accuracy of such information and the appraiser assumes no responsibility for information relied upon later found to have been inaccurate. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available.
20. No opinion as to the title of the subject properties rendered. Data related to ownership and legal description was obtained from public records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management.
21. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed in arranging for engineering, geological, or environmental studies that may be required to discover such hidden or unapparent conditions.
22. The appraiser has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the appraiser did not become aware of the presence of any such material or substance during the appraiser's visitation of the subject property. However, the appraiser is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimate in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such property or in such proximity thereto that it would cause a loss in value. The appraiser assumes no responsibility for the presence of any such substances or materials on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Page 4

Assumptions and Limiting Conditions

23. Unless otherwise stated, the subject property is appraised assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.
24. Unless otherwise stated, the property is appraised assuming that all required licensees, permits, certificates, consents or other legislative and/or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
25. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.
26. No opinion is expressed as to the value of subsidiaries oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as expressly stated.
27. Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as survey or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.
28. No opinions are intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
29. Where the discounted cash flow analysis is utilized, it has been prepared on the basis of the information and assumptions stipulated in this appraisal report. The achievement of any financial projections or forecasts will be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, the actual results achieved may vary from the projections and such variation may be material.
30. Property values are influenced by a large number of external factors. The information contained in the report comprised the pertinent data considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the value of the subject property. Due to rapid changes in external factors, the value estimate is considered reliable only as of the effect date of the appraisal.

Page 5

#### Assumptions and Limiting Conditions

31. The liability of Dozier Appraisal Company, its owner and staff is limited to the Client only and to the amount of fees actually paid for the services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the Client, the Client shall make such party aware of all Limiting Conditions and Assumptions of the assignment and related discussions. The Appraiser is in no way responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially and/or legally. The Client also agrees that in case of a lawsuit (brought by lender, partner or part owner in any form or ownership, tenancy or any other party), Client will hold appraisers completely harmless for and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

#### Competency Provision

32. The appraiser undertaking this assignment warrants that he is competent in properly identifying the appraisal problem and has the necessary knowledge and experience to complete the assignment.

#### Entire Fee Appraised

33. At the request of the Client, the valuation reported in the appraisal report relates to the value of the entire fee simple estate considered as whole. This valuation opinion is not divisible into portions of the subject property representing less than the entire fee simple estate. For example, it may not be assumed that half of the fee simple estate has a market value of half of the market value for the entire fee simple estate.

#### Appraisal Without Title Policy

34. A title policy was made available to the appraiser, although the appraiser assumes no responsibility for such items of record not disclosed by the appraiser's customary investigation.

#### Soils/Geologic Studies

35. No detailed soils or geological studies or reports were made available to the appraiser. Premises employed in this report regarding soils and geologic qualities of the subject property have been discussed with the Client and are consistent with the information made available to the appraiser. However, such premises are not conclusive and the appraiser assumes no responsibility for soils or geological conditions discovered to be different from the conditions assumed in this report.

Page 6

## Assumptions and Limiting Conditions

### Earthquake Potential

36. The property which is the subject of this appraisal is within a geographic area prone to earthquakes and other seismic disturbances. Except as specifically indicated in the report, no seismic or geological studies have been provided to the appraiser concerning the geologic and/or seismic conditions of the subject property. The appraiser assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

### Testimony in Court

37. Testimony or attendance in Court or at any hearing is not required by the reason of this appraisal unless further authorization to fully appraise the property involved is granted to the appraiser at a fee to be determined prior to the commencement of such additional work.

### Structural Deficiencies

38. The appraiser has personally inspected the subject property, and except as noted in this report, finds no obvious evidence of structural deficiencies in any improvements located on the subject property. However, the appraiser assumes no responsibility for hidden defects or non-conformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professionals or governmental agencies were provided to the appraiser. Further, the appraiser is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the appraiser at the time of his visitation.

39. American with Disabilities Act of 1990 ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

### Termite/Pest Inspection

40. No termite or pest infestation report was made available to the appraiser. It is assumed that there is no significant termite pest damage or infestation, unless otherwise stated.

Page 7

Assumptions and Limiting Conditions

**Personal Property Not Appraised**

41. No consideration has been given in this appraisal as to the value of the property located on the premises considered by the appraiser to be personal property, nor has the appraiser given consideration to the costs of moving or relocating such personal property; only the real property has been considered in this appraisal.

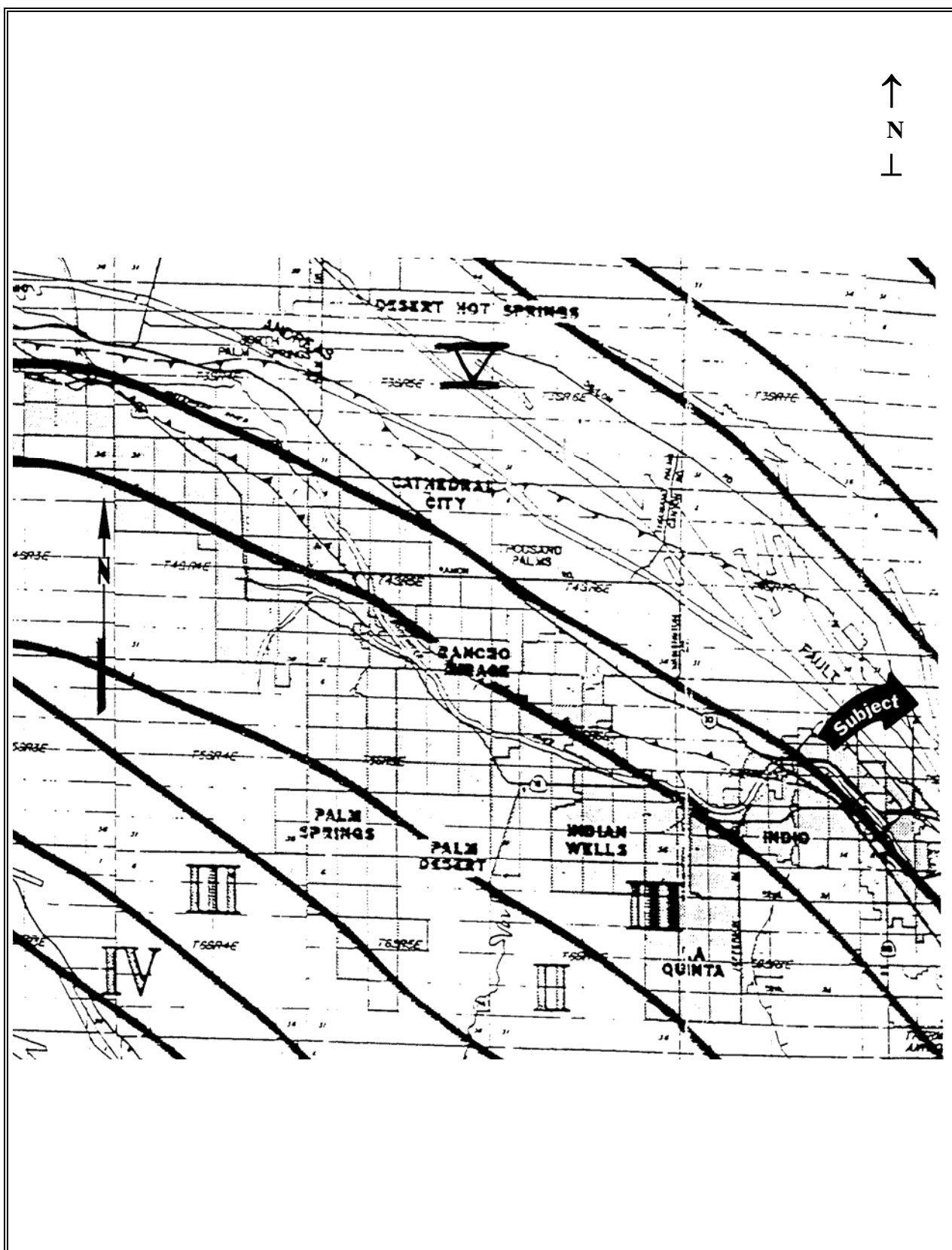
**Asbestos**

42. The appraiser is not aware of the existence of asbestos in any improvement on the subject property. However, the appraiser is not trained to discover the presence of asbestos and assumes no responsibility should asbestos be found in or at the subject property. For the purposes of this report, the appraiser assumes the subject property is free of asbestos and that the subject property meets all federal, state, and local laws regarding asbestos abatement.

**Archaeological Significance**

43. No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological or historical significance
44. The value stated herein is not considered appropriate for a broad based ownership such as a syndication. It is understood and agreed that the appraisal report of valuation stated herein shall not be relied upon or utilized in any syndication or real estate security registration document.

## SEISMIC MAP





**Flood Insights test results for :****39281 DILLON RD, COACHELLA, CA 92236 (\*)****Geocoding Accuracy:***(\*) Location placed manually by user***Flood Zone Determinations***Test Description***SFHA (Flood Zone) Within 250 feet of multiple flood zones?**

Out

No

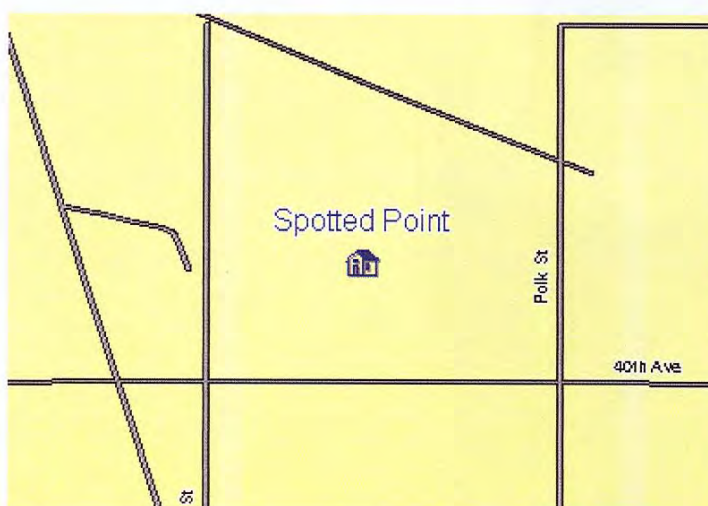
Community	Community Name	Zone	Panel	Panel Date	Cobra
060245	UNINCORPORATED AREA	D	1650A	August 18, 2003	OUT

**FIPS Code**

06065

**Census Tract**

0458.00

*Copyright 2000, First American Flood Data Services. All rights reserved.***FloodMap Legend****Flood Zones**

- Areas inundated by 500-year flooding
- Areas outside of the 100- and 500-year floodplains
- Areas inundated by 100-year flooding
- Areas inundated by 100-year flooding with velocity hazard
- Floodway areas
- Floodway areas with velocity hazard
- Areas of undetermined but possible flood hazards
- Areas not mapped on any published FIRM

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# Preliminary Conservation Report

Enter your APN (Assessor's Parcel Number) below.  
Do not use "-" or other non-numeric characters.

Example 123456789 NOT 123-456-789

601190001

Get the conservation report for my parcel

Your parcel does not appear to be in a conservation area.  
If no records are returned and you typed the number correctly your parcel is *not* in a conservation area.

This is a PRELIMINARY report and is for informational purposes only.  
Property owners with parcels INSIDE CONSERVATION areas should contact CVAG for detailed information.

For more information, you can visit the [CVAG](#) and [CVMSHCP](#) websites.



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**\*Note:** The above preliminary report is representative of all the other individual parcel reports for the subject property. Copies of the other eight reports are kept in the appraisers file for reference.